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DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON 25, D.C.



REPLY TO
ATTN OF:

SUBJECT:

TO:

OSA-0921-62
#1034
REPLY TO:
Auditor General
Comptroller, USAF
Eastern District
Liaison Officer
P.O. Box 8155
S.W. Station
Washington, D.C.

IM

17 September 1962

SUBJECT: Status of IMSC Contract RT-100

TO : Contracting Officer

RT-100
Prof 32

1. The only remaining obstacle to finalization and close out of the subject original CORONA Contract is IMSC's CPFF subcontract thereunder (#100-8) for approximately \$5.7 million with General Electric Company, Philadelphia, Pa. Final settlement of this G.E. subcontract is being delayed because of difficulty in closing out its second-tier CPFF subcontract thereunder for approximately \$1.0 million with Thiokol Chemical Corporation, Elkton Division, Elkton, Maryland.

2. I understand that the problem at Thiokol is a difference with the Air Force over its manufacturing overhead rate for the year 1960 (216% claimed by contractor, 210% acceptable to AF). There are some matters of principle involved and both parties are holding firm in their positions. In a telephone conversation with the Cognizant AF Auditor (Adam Galie) in the Philadelphia Branch Office, I was advised that there is little prospect of settling this matter soon. [redacted] informed me that G.E. representatives recently met with Thiokol in an effort to negotiate a settlement, but Thiokol did not wish to prejudice its position with the AF by accepting any rate other than the one which is finally reached when the dispute is settled.


3. My review of the G.E. file disclosed that there was approximately \$16,000 direct labor under The Thiokol subcontract in 1960 and therefore the area of difference holding up the settlement is only \$1,000 (6% of \$16,000 plus [redacted])

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4. Contract RT-100 is for approximately \$14. million and was physically completed about two years ago. It seems regrettable that its final settlement is being indefinitely delayed by the small difference in the Theohol subcontract.

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Audit Liaison Officer
Eastern District
Auditor General